



T. Rowe Price
**DYNAMIC GLOBAL
BOND STRATEGY**



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November 2020

For investment professionals only. Not for further distribution.

FIXED INCOME

Time to think differently

Traditional fixed income, which has served investors well during a three-decade bull run, no longer displays the characteristics it has in the past. Historically, investors could rely on the threefold benefits of reliable income, downside risk management and diversification of equity risk. Today, low yields, high volatility and rising correlations make it more difficult to achieve all three of these objectives with one bond strategy.

The T. Rowe Price Dynamic Global Bond Strategy is an absolute return-orientated fixed income portfolio that seeks to deliver consistent fixed income returns through a flexible, dynamic and diversified allocation to debt instruments from around the world. The strategy, which seeks to offer the benefits of a 'traditional' fixed income investment, has three key objectives:

CONSISTENT POSITIVE RETURNS

Seeks stable, consistent returns in excess of cash through different market environments. Aims to deliver a return of LIBOR +3% p.a.* over a market cycle, with a target volatility of 2% to 5% p.a.

DIVERSIFICATION OF EQUITY RISK

Designed to be liquid and transparent, providing diversification at times of equity-market correction and, more generally, during periods of risk aversion.

DOWNSIDE RISK MANAGEMENT

A key focus is downside risk management. The strategy aims to provide stability, particularly at times of rising yields and/or market turbulence.

* Gross of fees. The performance target is not a formal objective and it can be changed without prior notice at any time.

INVESTMENT APPROACH

A flexible, go-anywhere strategy

The Dynamic Global Bond Strategy enables our investment team to express high-conviction views through both long and short positions in duration, and to a limited extent in currencies and credit, across a broad spectrum of markets and sectors. The strategy seeks to adapt quickly to changing market conditions in order to capture opportunities and mitigate risks.

BROAD GLOBAL OPPORTUNITY SET

The strategy seeks to exploit the largest possible opportunity set, both to maximise potential return opportunities and to manage risk. A key benefit is the chance to diversify interest-rate exposure by investing across a range of countries that are at different stages of their monetary cycles.

WIDE RANGE OF STRATEGIC AND TACTICAL VIEWS

The portfolio's active approach integrates views on countries, interest rates and yield curves as well as credit security selection. While the investment team has the freedom to exploit inefficiencies in credit and currency markets, the focus is skewed towards global government bonds and country opportunities.

FOCUS ON ALPHA, WITH ABSOLUTE RETURN ORIENTATION

Having a benchmark-agnostic approach allows us to build the portfolio around our highest-conviction investment ideas, independent of the debt issuance structure and profile of a market index. Moving away from a benchmarked approach enables us to focus on generating returns from alpha rather than beta, thereby uncoupling the relationship between portfolio returns and overall market direction.

IDEA GENERATION

Driven by fundamental research

Translating analysts' best ideas into tangible portfolio results

Sovereign, corporate and quantitative fixed income analysts generate a combination of fundamental, technical and relative value analysis, collaborating to share insights and test their findings. The fixed income team also leverages insights from sector and regional equity analysts and portfolio managers to help inform their views. Fixed income analysts are responsible for developing and substantiating an opinion on every security they cover, producing an independent credit rating and a conviction score indicating the relative attractiveness of each security.

Each month our fixed income analysts and portfolio managers hold a series of 'Policy Week' meetings. In these sessions, the team analyses developments across global markets and seeks to identify investment opportunities.

To inform the discussion at these meetings, the team constructs a series of interest-rate, yield-curve, currency and sector forecasts, driven by two categories of inputs: macroeconomic and bottom up.

Macroeconomic inputs are based on high-level outlook scenarios of the world's major economies. The team considers implications for interest rates and currency trends, as well as broad valuation and corresponding risk factors across sectors and asset classes, together with the broader geopolitical environment.

Bottom-up inputs are based on reviews provided by the analysts covering each country, currency, sector and security. More detailed and focused assessments follow, taking into account valuations and technical factors. During these reviews, the global investment team will challenge the strength of the analysts' convictions.

Forecasts are produced for two different time horizons: three months and six to twelve months. Encouraging analysts to forecast over different time horizons gives us a stronger sense of their conviction level.

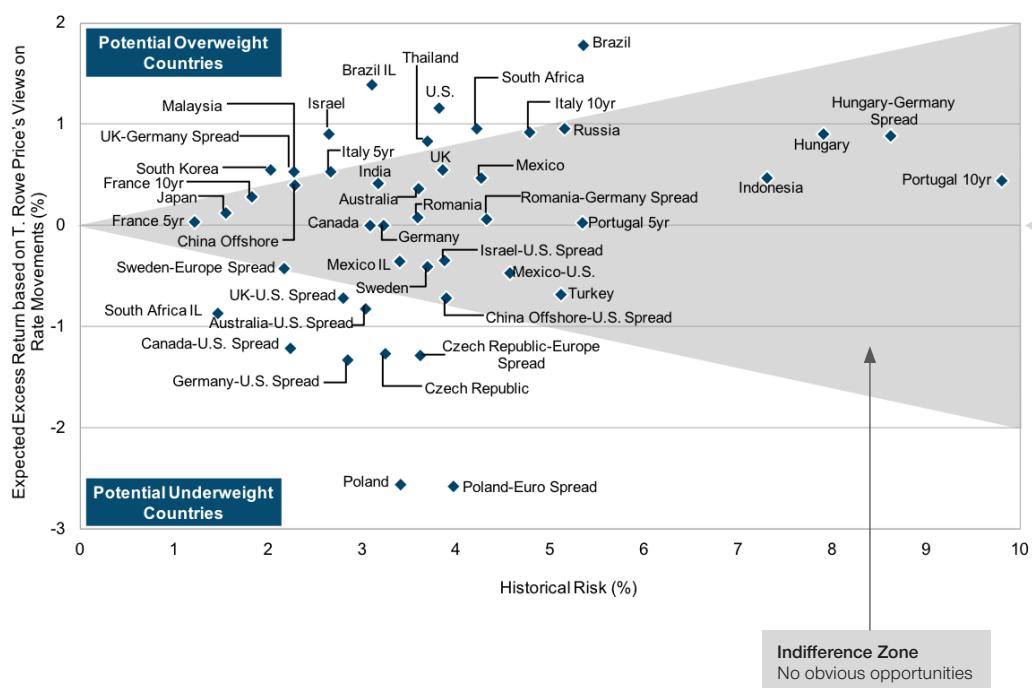
Once the investment team has reached agreement, the expected returns of bonds, currencies and sectors are calculated and plotted against their observed risk characteristics as measured by their historical volatility profile using our proprietary risk/return charting tool (see example).

Adjustments may be made to the historical volatility of a specific market if we believe there has been a major structural change, for example if a country has defaulted on its debt or de-pegged its currency.

This proprietary risk/return model is highly flexible, taking into account the embedded carry of each market as well as the implied roll-down of its yield curve. The model allows comparison of opportunities within asset classes and between asset classes. It can be amended to produce forecasts in different currencies and to take into account currency hedging impact.

The team segments opportunities according to their risk/return characteristics and analyst conviction levels in order to highlight the most attractive opportunities, not only on a risk-adjusted basis but also in terms of consistency across different time horizons.

SAMPLE 3-MONTH FORECAST: 10-YEAR GOVERNMENT BOND YIELDS



Source: T. Rowe Price.

For illustrative purposes only.

This information demonstrates, in part, the firm's risk/return analysis. This material is provided for informational purposes only and should not be used to forecast future returns for any investment product. This material is not intended to be investment advice or a recommendation to take any particular investment action.

PORTFOLIO CONSTRUCTION

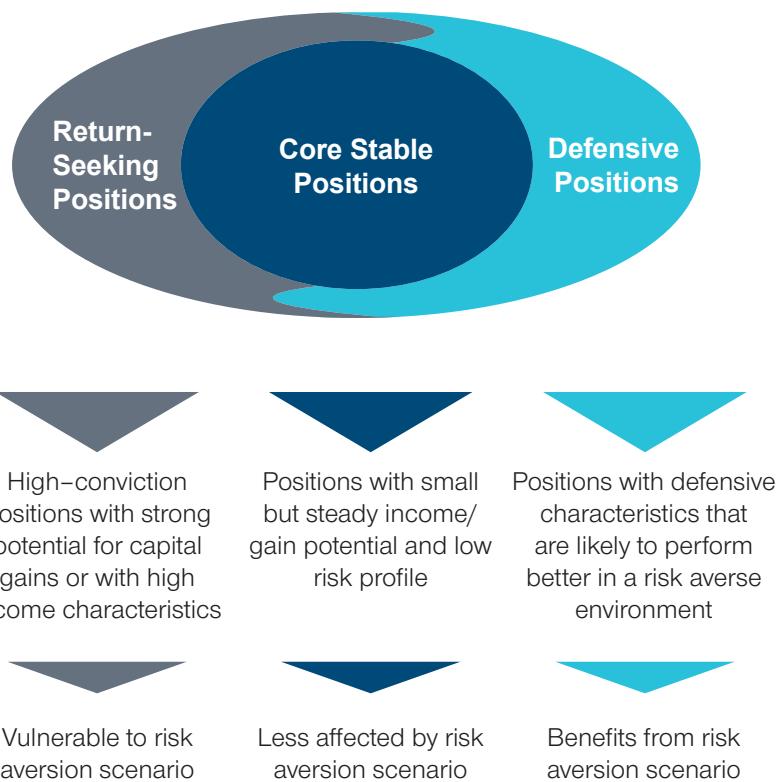
Finding a better balance

Allocating the risk budget to meet a specific set of objectives

Portfolio construction reflects the strategy's objectives of consistent performance and risk management. In order to diversify against equity market volatility, the bulk of performance is expected to be derived from traditional fixed income return sources: country positioning via outright duration views; relative country positioning; and yield curve rebalancing. To a lesser extent, currency positions, sector allocation and security selection are also expected to contribute to returns over time.

Our approach is predicated on having no systematic or persistent sources of beta, and we seek to generate performance that is not reliant on a single market scenario. The portfolio contains a diverse range of high-conviction ideas sourced from across the full global opportunity set. Our views can be expressed through both long and short positions.

PORTRFOIO STRUCTURE



The Dynamic Global Bond portfolio consists of three main components:

► CORE STABLE POSITIONS

The bulk of the portfolio consists of core stable positions such as government bonds and short-dated high quality investment-grade corporate bonds. The focus is on low volatility markets with modestly steep yield curves where interest rates are stable or falling, and which exhibit little or no expected controversy. Importantly, the range of outcomes outside the base scenario is generally limited. This part of the portfolio seeks to deliver modest returns with an emphasis on stability.

► RETURN-SEEKING POSITIONS

We seek to generate additional return with a selection of carefully chosen positions in emerging market bonds and higher yielding sectors. These are high-conviction bottom-up research ideas generated by our global team. Return-seeking positions will typically be smaller than core stable holdings, given the portfolio's relatively conservative overall risk budget.

► DEFENSIVE HEDGES

In the context of our core stable and return-seeking positions, we analyse the portfolio's risk profile in terms of (for example) duration, credit beta, emerging market correlation and exposure to specific themes or factors. Based on this assessment, we may modify certain holdings or position sizes, adding some defensive hedges using liquid, vanilla and generally exchange-traded derivatives to implement our views.

The team seeks to be agile in adjusting the portfolio's duration positions, sector allocation and currency exposures according to current market opportunities and risks. Changes in market conditions, such as valuation and liquidity, are discussed during daily and weekly meetings, while new information on macro economic data is rapidly integrated during regular discussion forums. This allows the investment team to remain nimble and adapt the portfolio to incorporate tactical allocations and dynamic hedging strategies.

The final portfolio typically consists of 30 to 70 high-conviction positions, seeking to achieve balance and diversification across sources of return and risk. Positions are sized according to conviction, liquidity, risk/return expectations and their impact on the overall portfolio's risk profile.

Ultimately the goal is to achieve balance: finding the right mix between duration, country allocation, bottom-up security selection and currency positioning to generate optimal returns while seeking to manage risks and preserve capital.

RISK MANAGEMENT

Multi-faceted portfolio analysis

Seeking to ensure that the sources of return and risk are balanced at all times

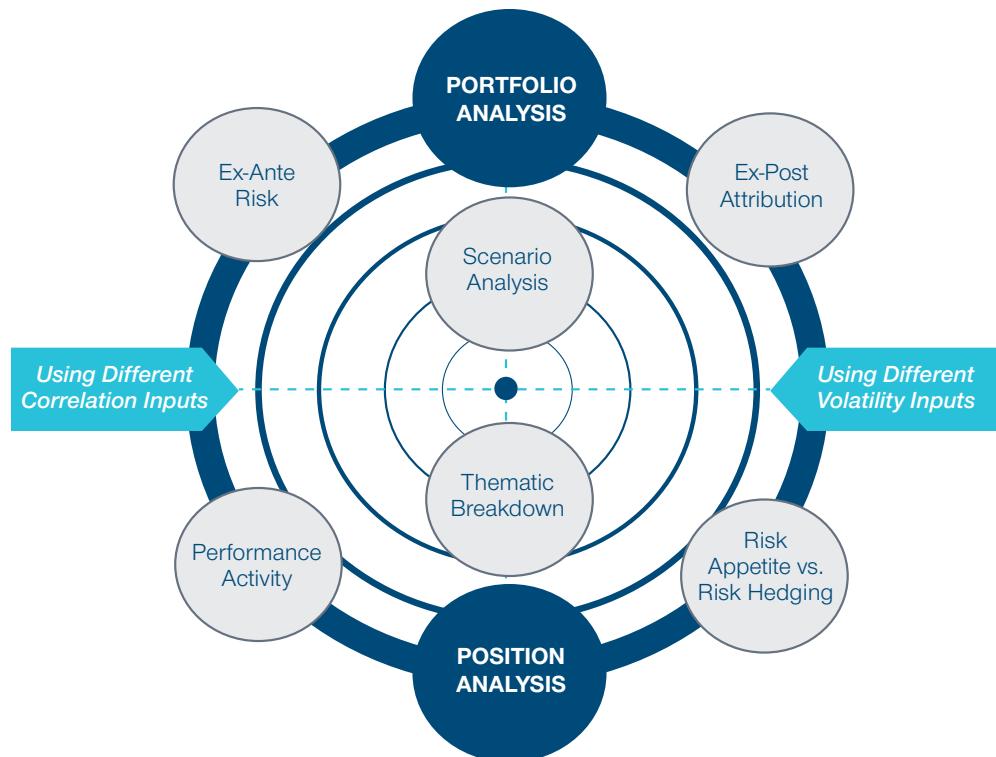
The Dynamic Global Bond Strategy seeks to generate consistent performance, taking carefully judged idiosyncratic risks while seeking to minimise systematic risk. We look at risk in multiple different ways to understand the behaviour of the portfolio under different market conditions and scenarios.

Our guiding principle is to achieve the right balance. We use different types of risk measures, applying different assumptions. Our approach recognizes that correlations are rarely stable over time.

For example, we calculate several measures of **ex-ante** volatility to understand the risk created by our active positions and to calibrate each position to achieve the desired level of diversification.

The risk associated with each position is classified under the three main **performance activities**: Country/duration management, currency management and sector allocation/security selection. This allows us to calibrate the risk of each activity compared with its predefined level in the risk budget.

ASSESSING RISK FROM MULTIPLE ANGLES



We are not thematic investors, but one consequence of building a portfolio from the bottom up is the risk of too much exposure to a particular theme or factor. Our risk approach seeks to ensure that we are not overexposed but also helps monitor that we have sufficient exposure to high-conviction themes.

Each position is classified under a primary **investment theme**, to help assess positions that are correlated to the same market scenario but classified under different performance activities. This measures diversification at the investment theme level.

Each position is also classified under a second theme linked to its sensitivity to **risk on/risk off** environments. This gives us an indication of the robustness of the portfolio's performance at times of increased risk aversion. We assume in our internal model that all our risky positions have a 100% correlation. This gives us a sense of the balance between positions that are likely to underperform at times of risk aversion, and those that are likely to benefit. Finding the right balance between the two contributes to the stability of returns over time and, we believe, is essential to providing adequate performance stability as well as diversification against risk assets such as equities.

THE TEAM

GLOBAL FIXED INCOME
RESOURCES***

88 RESEARCH
AND ANALYSIS

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MANAGEMENT

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The global investment team benefits from the resources of our fixed income division, which is responsible for US\$161.1 billion in assets under management.* Investment strategy and portfolio construction for Dynamic Global Bond is overseen by a team of six portfolio managers, led by Head of International Fixed Income Arif Husain. Arif has been investing in the fixed income markets for over 20 years and has a track record of managing unconstrained bond portfolios through multiple market cycles.

The investment team works with more than 80 fixed income sovereign, credit and quantitative analysts based in North America, Europe and Asia. They also frequently collaborate with our more than 190 equity analysts.**

Fundamental research is a defining aspect of our firm's identity and culture. We hire and develop high-calibre professionals from diverse backgrounds, and we require them to participate in a collaborative culture that encourages the exchange of information and ideas across the firm. In the emerging markets space, for example, fixed income and equity analysts frequently make research trips together, sharing industry contacts and comparing perspectives.

Analyst compensation at T. Rowe Price is closely tied to performance. To align analysts' interests with those of our clients, annual bonuses and long-term incentives are largely based on the degree to which managers include their recommendations in the appropriate portfolios and on the measurable value added by those holdings. When we evaluate analysts, we are primarily looking for consistent long-term outperformance.

We seek to create the conditions that will help our analysts uncover unique investment insights and make more informed decisions on behalf of our clients. Independent thinking and the ability to communicate across our global research platform are key sources of added value.

* As at 30 September 2020. Firmwide AUM includes assets managed by T. Rowe Price Associates, Inc. and its investment advisory affiliates.

** As at 30 September 2020

*** As at 30 September 2020. Research & Analysis includes credit analysts, associate analysts, quantitative research analysts, head of FI analytics and data strategy, head of FI investment risk, and 4 economists. Portfolio management includes portfolio managers, and associate portfolio managers. Trading includes traders and trading analysts. Counts do not include Fixed Income associates who support Fixed Income investments (Portfolio Specialists and Management). Count, additionally, does not include associates with Stable Value Analyst role.

GLOBAL INVESTMENT TEAM*

		TITLE/RESPONSIBILITIES	LOCATION	YEARS OF INVESTMENT EXPERIENCE
	Arif Husain, CFA	Head of International Fixed Income Lead Portfolio Manager	London	25
	Quentin Fitzsimmons	Portfolio Manager Global Fixed Income	London	29
	Ju Yen Tan	Portfolio Manager US Bloc	London	24
	Kenneth Orchard, CFA	Portfolio Manager Europe Bloc	London	16
	Andrew Keirle	Portfolio Manager EM Local Currency	London	24
	Saurabh Sud, CFA	Portfolio Manager Global Fixed Income	Baltimore	13

* As at 30 September 2020.

ABOUT T. ROWE PRICE

T. Rowe Price is an independent investment management firm, founded in 1937 by Thomas Rowe Price, Jr, focused on helping clients meet their objectives and achieve their long-term financial goals.

Today, the firm has a presence in 16 countries across Europe, the Americas, Asia and the Middle East, managing US\$1,310.4* billion in assets across a broad range of equity and fixed income investment strategies. Our client base includes sovereign entities, corporations, defined benefit and defined contribution pension plans, foundations, endowments, global financial institutions and financial intermediaries.

Our Fixed Income Division was established in 1971. With coverage of every major sector, we manage a comprehensive set of traditional and innovative strategies including regional, global, unconstrained, high yield and multi-sector solutions. In total, the firm manages US\$161.1 billion in fixed income assets.**

Backed by organisational stability and financial strength, our experience through all types of market conditions contributes to an investment strategy that seeks to generate consistent performance over the long term.

VISIT OUR WEBSITES FOR MORE INFORMATION:

Financial Intermediaries
troweprice.com/intermediaries

Institutions
troweprice.com/institutional

Consultants
troweprice.com/consultant

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RISKS

THE FOLLOWING RISKS ARE MATERIALLY RELEVANT TO THE STRATEGY:

China Interbank Bond Market risk – market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the China Interbank Bond Market may result in prices of certain debt securities traded on such market fluctuating significantly.

Country risk (China) – all investments in China are subject to risks similar to those for other emerging markets investments. In addition, investments that are purchased or held in connection with a QFII licence or the Stock Connect program may be subject to additional risks.

Country risk (Russia and Ukraine) – in these countries, risks associated with custody, counterparties and market volatility are higher than in developed countries.

Credit risk – a bond or money market security could lose value if the issuer's financial health deteriorates.

Currency risk – changes in currency exchange rates could reduce investment gains or increase investment losses.

Default risk – the issuers of certain bonds could become unable to make payments on their bonds.

Derivatives risk – derivatives may result in losses that are significantly greater than the cost of the derivative.

Emerging markets risk – emerging markets are less established than developed markets and therefore involve higher risks.

High yield bond risk – A bond or debt security rated below BBB- by Standard & Poor's or an equivalent rating, also termed 'below investment grade', is generally subject to higher yields but to greater risks too.

Interest rate risk – when interest rates rise, bond values generally fall. This risk is generally greater the longer the maturity of a bond investment and the higher its credit quality.

Issuer concentration risk – to the extent that a portfolio invests a large portion of its assets in securities from a relatively small number of issuers, its performance will be more strongly affected by events affecting those issuers.

Liquidity risk – any security could become hard to value or to sell at a desired time and price.

Prepayment and extension risk – with mortgage- and asset-backed securities, or any other securities whose market prices typically reflect the assumption that the securities will be paid off before maturity, any unexpected behaviour in interest rates could impact portfolio performance.

Sector concentration risk – the performance of a portfolio that invests a large portion of its assets in a particular economic sector (or, for bond portfolios, a particular market segment), will be more strongly affected by events affecting that sector or segment of the fixed income market.

General portfolio risks – to be read in conjunction with the portfolio specific risks above.

Capital risk – the value of your investment will vary and is not guaranteed. It will be affected by changes in the exchange rate between the base currency of the portfolio and the currency in which you subscribed, if different.

Counterparty risk – an entity with which the portfolio transacts may not meet its obligations to the portfolio.

Geographic concentration risk – to the extent that a portfolio invests a large portion of its assets in a particular geographic area, its performance will be more strongly affected by events within that area.

Hedging risk – a portfolio's attempts to reduce or eliminate certain risks through hedging may not work as intended.

Investment portfolio risk – investing in portfolios involves certain risks an investor would not face if investing in markets directly.

Management risk – the investment manager or its designees may at times find their obligations to a portfolio to be in conflict with their obligations to other investment portfolios they manage (although in such cases, all portfolios will be dealt with equitably).

Operational risk – operational failures could lead to disruptions of portfolio operations or financial losses.

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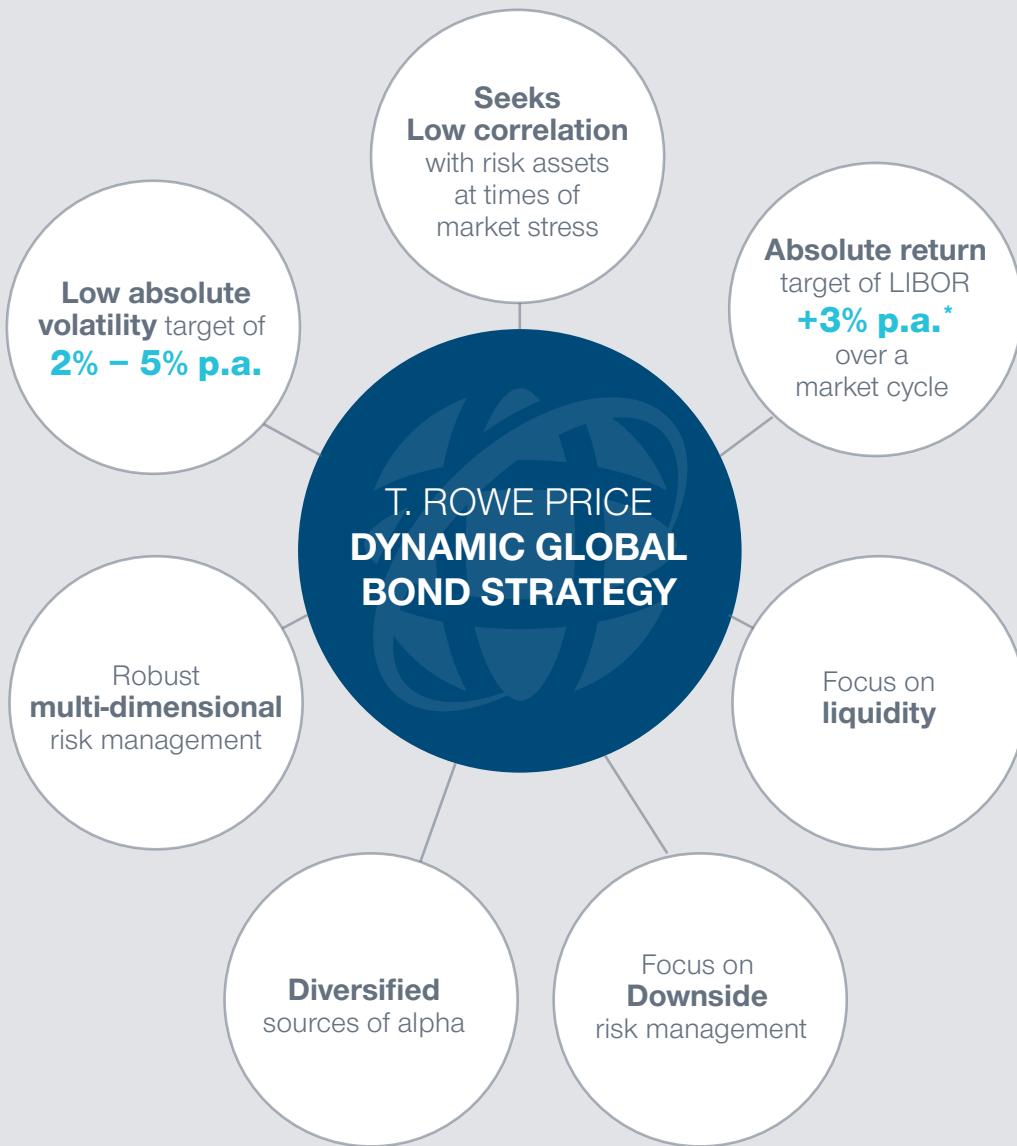
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Proprietary, fundamental research is critical to the success of our fixed income strategies. Our analysts' ability to formulate investment ideas, diligently evaluate their potential risk/return and discern their appropriateness across a variety of investment strategies is ultimately what makes us a better manager.



TED WIESE
HEAD OF FIXED INCOME



The diagram features a central dark blue circle containing the text "T. ROWE PRICE" and "DYNAMIC GLOBAL BOND STRATEGY" in white. Six light gray circles are arranged around it, each containing a key strategy or feature. The top circle says "Seeks Low correlation with risk assets at times of market stress". The top-left circle says "Low absolute volatility target of 2% - 5% p.a.". The top-right circle says "Absolute return target of LIBOR +3% p.a.* over a market cycle". The bottom-left circle says "Robust multi-dimensional risk management". The bottom circle says "Diversified sources of alpha". The bottom-right circle says "Focus on Downside risk management". "Focus on liquidity" is also mentioned in the middle-right area.

T. ROWE PRICE DYNAMIC GLOBAL BOND STRATEGY

Seeks
Low correlation
with risk assets
at times of
market stress

**Low absolute
volatility** target of
2% - 5% p.a.

Absolute return
target of LIBOR
+3% p.a.*
over a
market cycle

Robust
multi-dimensional
risk management

Focus on
liquidity

Diversified
sources of alpha

Focus on
Downside
risk management

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